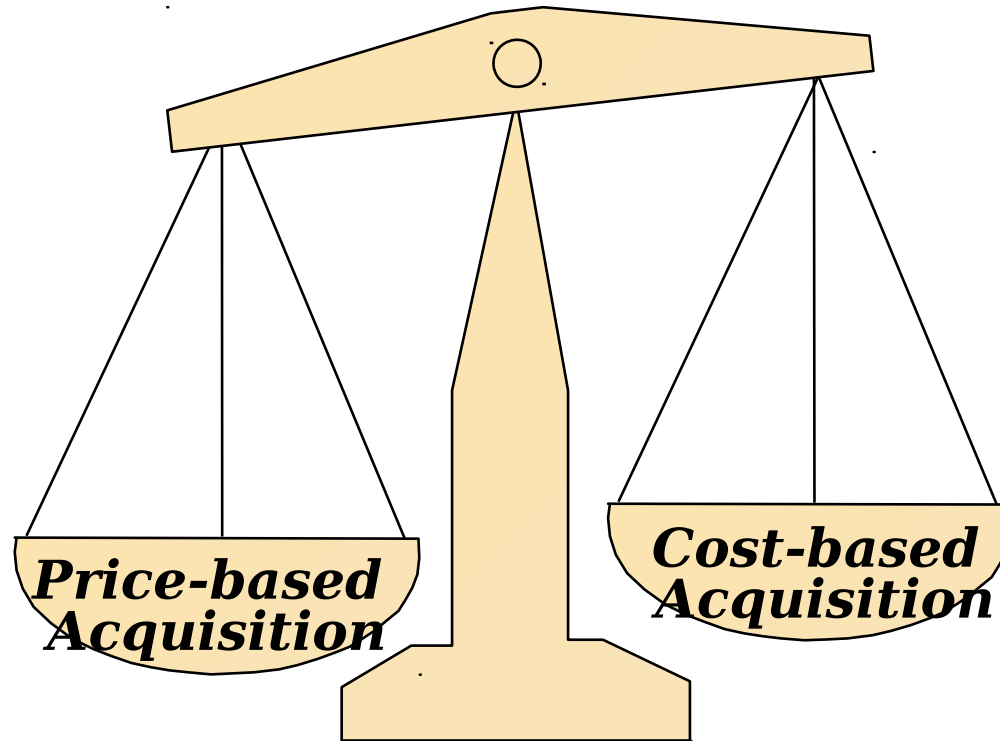


Price-based Acquisition



PBA Study Overview
August 1999



Price-based Acquisition

Agenda

- **Background**
- **Selected Recommendations**
 - **Acquisition Strategies**
 - **Preadward**
 - **Postaward**
- **Summary**



Price-based Acquisition

PBA Objectives

- **Access to commercial technology**
- **Reduce government infrastructure**
- **Better contract prices**
 - **Civil military integration**
While maintaining the public trust
 - **Increased competition**

Room for both cost-based & price-based solutions
CBA-PBA Continuum



Price-based Acquisition

Definition of Price-based Acquisition

“ Price-based acquisition is a way for DoD to buy goods and services that does not rely primarily on suppliers’ providing actual or estimated cost data. It does not preclude DoD and suppliers from mutually agreeing to use limited cost data to establish price reasonableness, cost realism, a financing agreement, or other contract terms and conditions. A price-based acquisition must be firm-fixed-price (with or without Economic Price Adjustment) or fixed-price with non-cost



Price-based Acquisition

Where We've Been

- Intensive effort - ESG and 3 focus groups with 50 people (field and staff)
 - Industry Roundtable (commercial)
 - MIT (Lean Aerospace Initiative)
 - ▮ Crane Research Center
 - ▮ Litton/TASC Report
 - ▮ Defense Science Board
- ▮ Distilled information from diverse perspectives to reach balanced recommendations

*PBA Study chartered by
USD(A&T) in October 1998*



Price-based Acquisition

Where We're Going (Schedule of Upcoming Events)

April

- 2 Initial draft report released for internal PBA team review

May

- 3 ESG comments due on draft report
- 3-14 Disposition comments
- 14 Distribute dispositioned comments to ESG
- 24 Conduct ESG to discuss unresolved issues

June

- 7 Official draft report released

*Too Ambitious...
Now planned for
late September*



Industry Roundtable Insights

- Trust but verify
- Market/make knowledge is a must
- Team approach-early stakeholder involvement
- Supplier profit percent not an issue, cost reduction is
 - Achieve by incentivizing suppliers
 - Cost data is often required
- Displacing an incumbent supplier requires a 25 to 40% improvement
- Cost contracts, legal action, supplier financing, and funding of R&D efforts are rare



Price-based Acquisition

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NOTE: The PBA Study Group has developed 48 recommendations to further the Department's use of price-based acquisition. Because these recommendations are considered pre-decisional, it's not appropriate to post them on the WWW at this time.



Price-based Acquisition

Agenda

- ✓ **Background**
- ✓ **Selected Recommendations**
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Price-based Acquisition

Much Can Be Done Now

Recommendations	Internal Procedure	Regulatory	Statutory
Evolutionary	✓+		
Incremental Development	✓+		
Dissimilar	✓+		
Program Progress	✓+		
Waivers and Deviations	✓+		
Claims	✓+		
Market Research COE	✓+		
Business System Reviews	✓+		
Training	✓+		
FFP R&D Waiver Deletion	✓	✓+	
Past Performance	✓+	✓	
Contract Types	✓+	✓	
Pricing Methods	✓+	✓	

+ = Majority of effort
 ✓ = Requires change
 ✓ = DFARS change
 ✓ = FAR change



Price-based Acquisition

Much Can Be Done Now

Recommendations	Internal Procedure	Regulatory	Statutory	
Letter Contracts / UCAs	✓+	✓		+ = Majority of effort ✓ = Requires change ✓ = DFARS change ✓ = FAR change
EPA	✓+	✓		
Preference for PBA	✓+	✓		
Value-based	✓+	✓		
Value Engineering	✓+	✓		
Contract Modification	✓+	✓		
GFP	✓+	✓		
PBA in Acquisition Plan	✓+	✓		
T for C	✓	✓ +		
Financing	✓+	✓	✓	
Source Selection Strategies	✓	✓	✓+	
Cancellation Charges	✓	✓	✓+	
Wage Determinations	✓	✓	✓+	
TINA	✓	✓	✓+	